

BEFORE THE BOARD OF REAL ESTATE APPRAISERS

STATE OF IDAHO

In the Matter of the License of:)	
)	Case No. REA-2008-70
CHASE J. HODGSON,)	
License No. RT-1654,)	STIPULATION AND
)	CONSENT ORDER
Respondent.)	
_____)	

WHEREAS, information has been received by the Idaho State Board of Real Estate Appraisers (the "Board") that constitutes sufficient grounds for the initiation of an administrative action against Chase J. Hodgson ("Respondent"); and

WHEREAS, the parties mutually agree to settle the matter in an expeditious manner in lieu of administrative hearings before the Board; now, therefore,

IT IS HEREBY STIPULATED AND AGREED between the undersigned parties that this matter shall be settled and resolved upon the following terms:

A. Stipulated Facts and Law

A.1. The Board regulates the practice of real estate appraising in the State of Idaho in accordance with title 54, chapter 41, Idaho Code.

A.2. The Board has issued License No. RT-1654 to Respondent. Respondent's license is subject to the provisions of title 54, chapter 41, Idaho Code and the Board's rules at IDAPA 24.18.01, *et seq.*

A.3. Appraisals in the State of Idaho must comply with the minimum standards set forth in the Uniform Standards of Professional Appraisal Practices ("USPAP").

Investigation No. I-REA-2008-111

A.4. On or about September 30, 2007, Respondent and supervising real estate appraiser Michael Louie, License No. CRA-1430, prepared an appraisal report for the property located at 107 Arapaho in Hailey, Idaho ("Subject Property #1").

A.5. The appraisal report and work file for Subject Property #1 failed to meet the following requirements of applicable USPAP Standards (2006):

a. Ethics Rule, Recordkeeping: The basement drawing in the report did not match the foundation of the main floor in the report; the shop area of the basement was drawn incorrectly; the report stated the home was under construction, and some interior information in the report did not match data in the work file; the diagram, which did not show interior walls, did not adequately demonstrate the functional utility of the home; MLS data on comparable sales differed from data in the report on items including room counts, number of bathrooms and furnishings; the work file had no information on the purchase of the subject site; no zoning information was included in the work file; the street name was spelled wrong; and no notes were found concerning the site location, view, access or drainage.

b. Competency Rule: The report had generic descriptions and comments about the subject that did not accurately describe the location, neighborhood build-up, value ranges, supply and demand, or subdivision build-up or land use. Neighborhood boundaries were defined as “the general city limits of Hailey” followed by “[The mountains to the East and West, Ketchum and Sun Valley to the North and Bellevue to the South,” which is deceptive and incorrect and could mislead the reader of the report. The report’s generic comments did not show knowledge of the area of marketing influences that affect market values. Unsupported statements and generic comments created a misleading appraisal report.

c. Scope of Work: The work file was inadequate to show what steps were taken to complete the appraisal as outlined in the Scope of Work and, as required by Standards 2-2(b)(vii), did not disclose what research and analysis was completed by Respondent or by Mr. Hodgson.

d. Standards Rules 1-1(a), (b) and (c): The report had a number of errors and omissions: It stated the home was under construction when it was completed;

no plat map was included; it did not disclosed or discuss R-5 zoning, which requires a minimum of 5 acres; it did not discusses use of an unusual heat source (propane) for such a large home; it stated the driveway would be asphalt, but the owner stated that 12,000 ft² of pavers were being installed on the driveway; it did not mention the apartment above the garage that rented for \$1,250 per month; it incorrectly stated the number of fireplaces; it omitted blueprints in the work file that would have shown the functional utility of the home; its diagrams of the basement were incorrect and inadequate for this type of property; its discussion of improvements was limited for the quality of the home; it incorrectly reported MLS data in the Sales Comparison grid; it omitted prior sales history of the lot when the information was available; and its comments were generic and not subject- or neighborhood-related.

e. Standards Rule 1-2(c): Respondent stated that the marketing time was over six months, but did not further discuss that fact. Data showed that average marketing time was 15 months; when the subject property was valued more than 65% above the highest sale in the history of the subdivision, it would be reasonable to assume a longer marketing period, but this has not been discussed. *See* USPAP Statement 6.

f. Standards Rules 1-4(a) and (b): The work file did not show attempts to verify the sales data with the listing or selling agents; bedroom count was reported incorrectly for Sale #1, which had a larger site than the subject and river frontage; Sale #2 sold with \$25,000 in furnishings that were not reported, and the property was in a superior location with a site value much higher than the subject; Sale #3 also had river frontage and a site location superior to the subject, with a home marketed as “listed at land value” due to its 1,000 feet of river frontage in a higher-appeal neighborhood in the mid-valley; Comparable #4 was an active listing, and MLS comments stated it had a hot tub that was not reported; and three out of four sales pictures were from the MLS, which suggested that Respondent did not personally view and photograph the properties.

The report used Marshall & Swift Residential Cost Manual for the Cost Approach rather than actual building costs; the subject was new construction and a cost breakdown should have been available. Marshall & Swift data would not be accurate due to the many upgrades and amenities associated with the construction of the property.

g. Standards Rule 1-5(a) and (b): Recent sales history for the subject site was not obtained from the buyer or seller. The site valuation section in the report referred to an attached addendum, but the attached addendum did not discuss the site value estimate, which was more than 40% above what the site actually sold for in 2006. The report stated that the market was “static” and not increasing. Site analysis was inadequate and did not address the lots that were then listed for sale in the subject subdivision or other lots that have sold in the immediate area over the past two years. The report offered limited comments or support to justify the site value of \$900,000 when it was purchased for \$640,000 in 2006.

h. Standards Rule 1-6(a) and (b): The report did not discuss whether the subject was an overimprovement for its location, which would be a form of external obsolescence. The report stated a market preference beyond 3 bedrooms that was not supported by its own market data, as the subject had two bedrooms on the main floor, one up and two more in the basement area, and homes in this size and value range require 4 or more bedrooms. The shop was not included in the basement cost figures, was calculated separately from the basement, and was not part of the 2,903 ft² reported in the basement. The diagram indicated the shop had 634.7 ft². Foundation walls for this area did not agree with the main floor diagram and were drawn incorrectly. Appliances and theater equipment were also omitted from the cost approach, and contributory values for patio, balcony and fireplaces were not adequate.

i. Standards Rules 2-1(a), (b) and (c): The report had a number of errors, and information in the report was not reported in a clear and accurate manner. Adjustments used in the Sales Comparison Analysis were not market supported; com-

ments were generic and tended to mislead the reader concerning the comparisons' proximity to and their comparability to the subject; the report described the subject as an excellent quality home, but failed to clearly describe its construction and amenities; the subject was atypical for the neighborhood due to its large square footage and quality of construction; the report did not discuss external obsolescence from the home being much larger than most homes in its subdivision or in the Hailey (mid-valley) area in general; the report's description of the adjustments were generic and not supported by market data; the report did not recognize differences in property values in different locations in the Sun Valley, Ketchum and Hailey areas or that the different areas were buyer specific and the same buyer would not give equal consideration to properties in Sun Valley, Ketchum and Hailey; the report's statement that the comparables sales were located "just outside the subject's immediate neighborhood boundaries" was misleading and likely to influence the reader's opinion of proximity of the comparables sales; adjustments for location, quality of construction, site size, square footage and amenities were not market supported; the report had no true reconciliation of the comparable sales and the subject property; and the report was completed in an unclear and misleading manner.

j. Standards Rule 2-2(b)(vii): The report did not disclose what work Mr. Louie or Respondent completed. Work file notes were in Mr. Hodgson's handwriting, but the report did not disclose who completed its research and analyses.

Investigation No. I-REA-2008-108

A.6. On or about February 8, 2008, Respondent and Mr. Louie prepared an appraisal report for the property located at 270 Indian Creek Road in Blaine County, Idaho ("Subject Property #2").

A.7. The appraisal report and work file for Subject Property #2 failed to meet the following requirements of applicable USPAP Standards (2006)¹:

¹ On February 8, 2008, the Board's adoption of the 2006 edition of USPAP was in effect. See IDAPA 24.18.01.004 (2007) (effective 4/11/06-3/10/08).

a. Ethics Rule, Recordkeeping: The work file did not have a diagram of the subject's floor plan or indicate where the square footage calculations in the report originated; a diagram without interior walls did not adequately demonstrate the functional utility of a home of this size and quality; the work file had minor handwritten notes on Sale #1 MLS sheet showing parcel number and acreage size and on Sale #2 showing parcel number, land size, age, square footage and transfer history, but no other verification notes or additional research were in the work file; no land sales analyses were found; the work file was incomplete and did not have adequate evidence of Respondent's research and analyses necessary to produce a credible appraisal under USPAP standards. The work file and report did not outline who completed what in the appraisal process, and it had no information to support Respondent's statement that "additional research was completed on this complex assignment."

b. Competency Rule: The report had generic descriptions and comments about the subject that did not accurately describe the location, neighborhood build-up, value ranges, supply and demand, subdivision build-up or land use. The report's neighborhood was the mid-valley area but also used terms such as "just south of Sun Valley and is a part of an internationally renown and highly sought after area," which are too broad. The description was deceptive and could mislead the reader about the subject's location with regard to the resort communities of Ketchum and Sun Valley. The report's generic comments did not show knowledge of the area and marketing influences that affect market values. Unsupported statements and generic comments created a misleading appraisal report.

c. Scope of Work: The work file was inadequate to show what steps were taken to complete the appraisal as outlined in the Scope of Work, did not have any in-depth research through MLS or assessor's records, and, as required by Standards 2-2(b)(vii), did not disclose what research and analysis was completed by Mr. Louie or by Respondent.

d. Standards Rules 1-1(a), (b) and (c): The report had a number of errors and omissions: Sale #1 was new construction, and the report said it was two years old. The report used a list price rather than a sale price for Sale #2, a \$110,000 error, and did not mention that the property had been on the market for 409 days. Sale #3 was a riverfront site in a superior neighborhood. Listing #4 included a guest cottage above the garage that was not mentioned; Pending Listing #5 closed on 2/15/08 for \$3,100,000, \$575,000 less than estimated in the report. The comments in the Supplemental Addendum were generic, canned comments and most were not subject- or neighborhood-related. There were no data in the work file or provided by Respondent during the investigation to support the adjustments used in the appraisal.

e. Standards Rule 1-2(c): Respondent stated that the marketing time was over six months but did not discuss this in the report. The subject was listed for sale for 224 days before being withdrawn. Values in the Indian Creek area range from \$800,000 to \$2,700,000, which put the subject in the upper range for the area. It would be reasonable to assume an even longer marketing period would be required, but this was not discussed. *See* USPAP Statement 6.

f. Standards Rules 1-4(a) and (b): The work file did not show attempts to verify the sales data with listing or selling agents; Sale #1 was new construction and reported as two years old; the sale price was incorrectly reported for Sale #2; Sales #1 and #2 were on a golf course and had mountain views; Sale #3 was on a riverfront lot in a superior neighborhood; Listing #4 had a guest cottage above the garage that was not mentioned; and Pending Sale #5 closed while the report was being put together and sale price was overestimated by \$575,000. Adjustments discussed in the Supplemental Addendum were canned and not subject- or market-specific. Two out of five comp pictures were from MLS, which suggests Respondent did not personally view and photograph the properties.

The report used Marshall & Swift Residential Cost Manual in developing the Cost Approach. Site value of \$1,500,000 was not market supported; similar sites had sold for \$550,000 to \$645,000. Active listings of similar sites ranged from \$484,000 to \$695,000. No land sales were in the work file to support this site value. The site valuation section referred to an attached addendum but the attached addendum did not discuss the site value. The land sales provided in answer to the investigator indicated three river frontage/river view lots had sold for \$915,000 to \$975,000. These sales supported a land value for Sale #3, which was a river frontage lot, but the subject property is not located on river frontage or with a river view and was valued by Respondent at \$1,500,000. The report stated that the market was “stable” and not increasing. Site analysis was inadequate and did not address the lots that were currently listed for sale in the subject subdivision or the lots that had sold in the immediate area. Data did not support Respondent’s opinion of site value.

g. Standards Rules 2-1(a), (b) and (c): The report had a number of errors, and its information was not stated in a clear and accurate manner. Comments were generic and tended to mislead the reader concerning locations of the sales in relationship to the subject and their comparability to the subject; the subject was described as an excellent quality home but the report failed to clearly describe the construction of the subject property and its numerous amenities. The subject’s listing history was a relevant detail. By ignoring this information, the report valued the property higher than the owner believed the property was worth. The report did not recognize or adjust for differences in locations and amenities. The report did not recognize differences in property values in different locations in the Sun Valley, Ketchum and Hailey areas or that the different areas were buyer specific and the same buyer would not give equal consideration to properties in Sun Valley, Ketchum and Hailey. Overall, the report was completed in an unclear and misleading manner.

h. Standards Rule 2-2(b)(vii): The report did not disclose what work Mr. Louie or Respondent completed. Work file notes were in Mr. Hodgson's handwriting, but the report did not disclose who completed its research and analyses.

A.8. The allegations of Paragraphs A.5, if proven, would violate the laws and rules governing the practice of real estate appraising, specifically Idaho Code § 54-4107(1)(e) and IDAPA 24.18.01.700. Violations of these laws and rules constitute grounds for disciplinary action against Respondent's license to practice as a real estate appraiser trainee in the State of Idaho.

B. Waiver of Procedural Rights

I, Chase J. Hodgson, by affixing my signature hereto, acknowledge that:

B.1. I have read, understand and admit the allegations pending before the Board, as stated in Section A, Paragraphs A.4 through A.7. I further understand that these allegations constitute cause for disciplinary action upon my license to practice as a real estate appraiser trainee in the State of Idaho.

B.2. I understand that I have the right to a full and complete hearing; the right to confront and cross-examine witnesses; the right to present evidence or to call witnesses, or to testify myself; the right to reconsideration of the Board's orders; the right to judicial review of the Board's orders; and all rights accorded by the Administrative Procedure Act of the State of Idaho and the laws and rules governing the practice of real estate appraising in the State of Idaho. I hereby freely and voluntarily waive these rights in order to enter into this Stipulation as a resolution of the pending allegations.

B.3. I understand that in signing this Stipulation I am enabling the Board to impose disciplinary action upon my license without further process.

C. Stipulated Discipline

C.1. Respondent shall pay to the Board an administrative fine in the amount of Five Hundred and No/100 Dollars (\$500.00) within thirty (30) days of the entry of the Board's Order.

C.2. The violation of any of the terms of this Stipulation by Respondent may warrant further Board action. The Board therefore retains jurisdiction over this proceeding until all matters are finally resolved as set forth in this Stipulation.

D. Presentation of Stipulation to Board

D.1. The Board's prosecutor shall present this Stipulation to the Board with a recommendation for approval.

D.2. The Board may accept, modify with Respondent's approval, or reject this Stipulation. If the Board rejects the Stipulation, an administrative Complaint may be filed with the Board. Respondent waives any right Respondent may have to challenge the Board's impartiality to hear the allegations in the administrative Complaint based on the fact that the Board has considered and rejected this Stipulation. Respondent does not waive any other rights regarding challenges to Board members.

D.3. If the Board rejects this Stipulation then, except for Respondent's waiver set forth in Paragraph D.2., this Stipulation shall be regarded as null and void, and admissions in this Stipulation and negotiations preceding the signing of this Stipulation will not be admissible at any subsequent disciplinary hearing.

D.4. Except for Paragraph D.2. which becomes effective when Respondent signs this Stipulation, this Stipulation shall not become effective until it has been approved by a majority of the Board and a Board member signs the attached Order.

E. Violation of Stipulation and Consent Order

E.1. If Respondent violates this Stipulation and Consent Order, the violation shall be considered grounds for additional discipline and the Board may impose additional discipline pursuant to the following procedure:

a. The Chief of the Bureau of Occupational Licenses shall schedule a hearing before the Board to assess whether Respondent has violated this Stipulation and Consent Order. The Chief shall also serve notice of the hearing and charges to Respondent and to Respondent's attorney, if any. Within fourteen (14) days after the

notice of the hearing and charges is served, Respondent may submit a response to the allegations. If Respondent does not submit a timely response to the Board, the alleged violations will be deemed admitted.

b. At the hearing, the Board and Respondent may submit evidence and present oral argument based upon the record in support of their positions. Unless otherwise ordered by the Board, the evidentiary record before the Board shall be limited to evidence relevant to whether Respondent has violated this Stipulation and Consent Order. At the hearing the facts and substantive matters related to the violations described in Section A shall not be at issue.

c. At the hearing, the Board may impose additional discipline, which may include the suspension or revocation of Respondent's license, the imposition of fines, the recovery of costs and attorney fees incurred by the Board and/or other conditions or limitations upon Respondent's practice.

E.2. This Stipulation and Consent Order is the resolution of a contested case and is a public record.

E.3. This Stipulation contains the entire agreement between the parties, and Respondent is not relying on any other agreement or representation of any kind, verbal or otherwise.

I have read the above Stipulation fully and have had the opportunity to discuss it with legal counsel. I understand that by its terms I am waiving certain rights accorded me under Idaho law. I understand that the Board may either approve this Stipulation as proposed, approve it subject to specified changes, or reject it. I understand that, if approved as proposed, the Board will issue an Order on this Stipulation according to the aforementioned terms, and I hereby agree to the above Stipulation for settlement. I understand that if the Board approves this Stipulation subject to changes, and the changes are acceptable to me, the Stipulation will take effect and an order modifying the terms of the Stipulation will be issued. If the changes are unacceptable to me or the Board rejects this Stipulation, it will be of no effect.

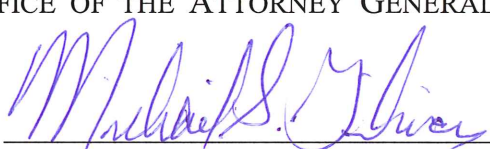
DATED this 3 day of March, 2009.


Chase J. Hodgson
Respondent

I recommend that the Board enter an Order based upon this Stipulation.

DATED this 6th day of March, 2009.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL

By 
Michael S. Gilmore
Deputy Attorney General

ORDER

Pursuant to Idaho Code § 54-4106(2)(h), the foregoing is adopted as the decision of the Board of Real Estate Appraisers in this matter and shall be effective on the 13th day of April, 2009. IT IS SO ORDERED.

IDAHO STATE BOARD
OF REAL ESTATE APPRAISERS

By 
Rick Bachmeier, Chair

CERTIFICATE OF SERVICE


I HEREBY CERTIFY that on this 13th day of April, 2009, I caused to be served a true and correct copy of the foregoing by the following method to:

Chase J. Hodgson
2600 E. Hubbard Road
Meridian, ID 83642

- ☒ U.S. Mail
- ☐ Hand Delivery
- ☒ Certified Mail, Return Receipt Requested
- ☐ Overnight Mail
- ☐ Facsimile: _____
- ☐ Statehouse Mail

Michael S. Gilmore
Deputy Attorney General
P.O. Box 83720
Boise, ID 83720-0010

- ☐ U.S. Mail
- ☐ Hand Delivery
- ☐ Certified Mail, Return Receipt Requested
- ☐ Overnight Mail
- ☐ Facsimile: _____
- ☒ Statehouse Mail


Tana Cory, Chief
Bureau of Occupational Licenses